

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-06 SP-02 SS-15 TRSE-00 FRB-01

XMB-04 OPIC-06 LAB-04 SIL-01 PA-02 PRS-01 AGR-10 /141 W
----- 108750

R 161530Z APR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9928

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ALGIERS

AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY MADRID

UNCLAS SECTION 01 OF 02 PARIS 11273

E.O. 11652: N/A

TAGS: ENRG EAL FR SA UR

SUBJECT: FRENCH OIL DEVELOPMENTS

REF: PARIS 1929 (NOTAL)

1. SUMMARY: FRENCH HAVE SLOWED DOWN PROJECTED
NUCLEAR PROGRAM SLIGHTLY BUT WILL DEVELOP SECOND
BREEDER REACTOR. ENERGY PRICES RISE ACROSS BOARD BUT
PETROLEUM CONSUMPTION BEGINS TO RISE AS ECONOMIC
RECOVERY BEGINS. NEW GAS CONTRACT SIGNED WITH
ALGERIA. END SUMMARY.

2. FRENCH GOVERNMENT ENERGY PLANNING COUNCIL, HELD
APRIL 15 UNDER PRESIDENT GISCARD, APPROVED SLIGHT
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SLOWDOWN IN NUCLEAR PROGRAM BUT GAVE GREEN LIGHT TO

SUPER-PHENIX BREEDER REACTOR PROJECT. COUNCIL'S DECISIONS, WHICH ARE BASED ON REDUCED PROJECTIONS FOR 1985 ENERGY CONSUMPTION, APPROVED CONTINUATION OF NUCLEAR PROGRAM AT 6 UNITS OF 1000 MEGAWATTS EACH FOR 1976-77, BUT REDUCED BUILDING PROGRAM TO FIVE UNITS FOR 1978 AND MADE NO DECISIONS FOR SUBSEQUENT YEARS. REDUCED NUCLEAR PROGRAM EXPLAINED BY LOWER ELECTRICITY CONSUMPTION PROJECTIONS, BUT UNDOUBTEDLY LOBBYING OF HARD-HIT OIL REFINERS, AS WELL AS INCREASINGLY VOCAL NUCLEAR OPPONENTS, PLAYED SOME ROLE IN GOF'S DECISION. PLANNING COUNCIL ALSO REDUCED PREVIOUS OVER-AMBITIOUS 1985 TARGETS FOR COAL PRODUCTION AND IMPORTS. NATURAL GAS AND OIL'S PROJECTED SHARE OF TOTAL CONSUMPTION INCREASED SLIGHTLY.

3. FROM THE STANDPOINT OF THE SUPER-PHENIX, SECOND GENERATION BREEDER REACTOR, THE COUNCIL'S GREEN LIGHT CONSTITUTES PERMISSION TO NEGOTIATE A COST SHARING R & D PLUS CONSTRUCTION VENTURE WITH POTENTIAL WEST GERMAN AND ITALIAN PARTNERS. THE PLAN IS TO DEVELOP A 1200 MEGAWATT (MW) ELECTRIC PLANT, BUILDING ON THE EXPERIENCE GAINED FROM THE CURRENTLY OPERATING ALL-FRENCH PHENIX (250MW) WHICH HAS THUS FAR COST, FROM CONCEPT INCEPTION IN 1954, 4.5 BILLION FRANCS (ONE BILLION U.S. DOLLARS). THE FRENCH PROPOSE TO BUILD SUPER PHENIX AT CREYS-MALVILLE, NORTH OF LYON, AND TO DISTRIBUTE ITS COST, ANOTHER 4.5 BILLION FRANCS, AT 51 PERCENT FOR FRANCE, 16 PERCENT FOR GERMANY, AND 33 PERCENT FOR ITALY.

4. GOF HAS OVER PAST MONTHS APPROVED SERIES OF ENERGY PRICE INCREASES--NATURAL GAS PRICES TO HOME-OWNERS WERE RAISED 7.5 PERCENT IN FEBRUARY, AVERAGE ELECTRICITY RATES ROSE OVER 15 PERCENT IN MARCH, AND COAL PRICES AT THE MINEHEAD WERE RAISED 13 PERCENT ON APRIL 1. NEW PETROLEUM PRODUCT INCREASES (MOST LIKELY TO BE WEIGHTED ON GASOLINES) ARE ALSO HELD LIKE-LY OVER COMING WEEKS AS RESULT OF INCREASES IN LANDED COST OF OIL FOLLOWING FLOATING OF FRANC. MOST DRAMATIC PRICE DEVELOPMENT HOWEVER HAS BEEN DECISION UNCLASSIFIED

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OF ENERGY PLANNING COUNCIL TO ALLOW MARKET TO SET PRICES FOR RESIDUAL FUEL OILS AND NAPHTHAS. THIS DECISION, WHICH IS FIRST RETREAT FROM HEAVY MARKET REGULATION IN EFFECT IN FRANCE SINCE 1928, WILL PROBABLY NOT BE MADE EFFECTIVE UNTIL TOWARD END OF YEAR. IMPORT REGIME WILL ALSO BE CHANGED TO ALLOW FREE IMPORT OF THESE TWO PRODUCTS.

5. FRENCH OIL CONSUMPTION HAS BEGUN TO PICK UP SLIGHTLY AS ECONOMIC RECOVERY BEGINS. FIRST QUARTER RESIDUAL FUEL OIL CONSUMPTION WAS UP 4.5 PERCENT OVER ITS 1975 LEVEL, AND HOME HEATING OIL UP 29 PERCENT DUE TO A RECENT COLD SNAP. CONSUMPTION NONETHELESS STILL REMAINS WELL BELOW 1973 LEVELS.

6. AN ENERGY-CONSERVATION AGREEMENT WAS SIGNED IN MARCH BETWEEN THE MINISTRY OF INDUSTRY AND THE CEMENT MANUFACTURERS. THIS WAS THE FIRST OF A SERIES OF INDUSTRIAL SECTOR AGREEMENTS WHICH THE MINISTRY HOPES

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TO CONCLUDE IN ITS EFFORT TO ENCOURAGE INDUSTRIAL RETOOLING FOR LOWER ENERGY CONSUMPTION. THE AGREEMENT WITH THE CEMENT MANUFACTURERS SETS GOALS FOR AN ACCELERATED SWITCH TO DRY PROCESS CEMENT MAKING (TO RISE FROM THE PRESENT 70 PERCENT OF TOTAL PRODUCTION TO 85 PERCENT IN 1980, ENTAILING AN ENERGY SWING OF ABOUT 12 PERCENT). THOSE CEMENT MANUFACTURERS ACHIEVING THESE GOALS WILL BENEFIT FROM AN EXEMPTION TO THE RESIDUAL OIL SURTAX (PARIS 29729). THE INDUSTRY WILL, IN ADDITION, GET GOVERNMENT SUBSIDIES COVERING A 10-15 PERCENT SHARE OF THE NECESSARY ENERGY-
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SAVING INVESTMENTS. (PARIS 25007). THE GOF HOPES TO SIGN SIMILAR AGREEMENTS WITH THE PAPER, AUTOMOBILE, MILK AND FEEDGRAINS INDUSTRIES IN THE NEAR FUTURE.

7. THE PROBLEMS OF THE REFINING INDUSTRY CONTINUED TO ATTRACT ATTENTION BUT NO SOLUTIONS. THE GOVERNMENT HAS ESTABLISHED A COMMITTEE TO STUDY THE INDUSTRY'S INVESTMENT NEEDS AND WAYS TO MEET THEM. WHETHER THE PROPOSED FREE MARKET IN NAPHTHAS AND RESIDUAL FUEL OILS OR THE BEGINNING SIGNS OF ECONOMIC RECOVERY, WILL CONTRIBUTE TO AN EASING OF THE REFINERS' PROBLEMS REMAINS TO BE SEEN. SHELL, THE FIRST COMPANY TO PRESENT ITS 1975 ACCOUNTS, LOST 135 MILLION FRANCS DURING THE YEAR OR APPROXIMATELY 20 CENTS PER BARREL REFINED. OTHER COMPANIES EXPECT ALSO TO HAVE POOR 1975 RESULTS, ALTHOUGH THOSE WITH OIL OR GAS PRODUCTION (ESSO AND ELF, PRINCIPALLY) OR MORE DIVERSIFIED SOURCES OF INCOME WILL FARE BETTER OVERALL THAN SHELL. ELF/ERAP, FOLLOWING ITS ANNOUNCED PLANS TO MERGE WITH ITS AFFILIATE AQUITAINE, HAS ALSO ANNOUNCED ITS INTENTION TO BUY OUT THE 44 PERCENT HOLDING THE THE PUBLIC IN ITS MARKETING AFFILIATE ANTAR.

8. AGREEMENT WAS REACHED BETWEEN GAZ DE FRANCE AND THE ALGERIANS FOR PURCHASE OF AN ADDITIONAL 3.5 BILLION CUBIC METERS PER YEAR OF LNG FOR DELIVERY AFTER 1980. (ALGIERS 727). FRENCH SOURCES ARE HOLDING PRICE FIGURES CLOSELY BUT INDICATE THEY NOT ENTIRELY HAPPY THAT THEY WILL HAVE TO PAY "CURRENT COMMERCIAL PRICE" FOLLOWING PRECEDENTS SET BY BELGIAN AND SPANISH CONTRACTS. GOF APPEARS BEMUSED BY ALGERIAN ACCUSATIONS THAT FRENCH HAVE REFUSED TO RENEGOTIATE PRICES OF EXISTING GAS CONTRACTS; THEY CLAIM THAT GAZ DE FRANCE OFFERED TO RENEGOTIATE OLD CONTRACTS IN EXCHANGE FOR PREFERENTIAL PRICE ON NEW

CONTRACT BUT WAS REBUFFED BY ALGERIANS. GOF IS ALSO CONCERNED OVER PROSPECT OF HEAVY GAS SUPPLY DEPENDENCE ON ALGERIA, WHICH BY 1985 COULD SUPPLY ABOUT ONE-THIRD OF TOTAL FRENCH GAS CONSUMPTION ON BASIS OF LATEST AND PREVIOUS CONTRACTS. PROJECT NONETHELESS APPROVED BY GOF DURING APRIL 15 PLANNING SESSION. GOF SOURCES UNCLASSIFIED

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HAVE CONFIRMED THAT NO NEW CREDITS OPENED IN CONNECTION WITH CONTRACT, ALTHOUGH SUCH CREDITS OBVIOUSLY NOT RULED OUT IN EVENT THAT FRENCH FIRMS ARE CONSIDERED FOR SIKKDA LNG PLANT EXTENSION.

9. ELF/ERAP'S SECOND EXPLORATORY WELL IN THE ENGLISH CHANNEL WAS ABANDONED IN EARLY APRIL AS A DRY HOLE. A THIRD WELL HAS BEEN SPUDDED IN AND DRILLING SHOULD LAST FOR SEVERAL MONTHS. IF THE NEW TEST DOES NOT FIND ANY EVIDENCE TO REINFORCE THE DISCOVERY OF HYDROCARBON SHOWS IN THE FIRST TEST WELL (COMPLETED LAST DECEMBER), THE DRILLING PROGRAM WILL PROBABLY BE SUSPENDED.
GAMMON

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Message Attributes

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